



**UMSHWATHI MUNICIPALITY**  
(KZN221)

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2019**

<b>INDEX</b>	<b>Page</b>
General Information	01
Accounting Officer's Report	03
Accounting Policies	04
Statement of Financial Position	18
Statement Of Financial Performance	19
Statement of Changes in Net Assets	20
Cash Flow Statement	21
Statement of Comparison of Budget and Actual Figures	22
Notes to the Annual Financial Statements	24
Appendix A: Schedule of External Loans	47
Appendix B: Analysis of Property, Plant and Equipment	48
Appendix C: Segmental Analysis of Property, Plant and Equipment	49
Appendix D: Segmental Statement Of Financial Performance	50
Appendix E (1): Actual versus Budget (Revenue and Expenditure)	51
Appendix E(2) Actual versus Budget (acquisition of Property, Plant and Equipment)	52
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	53

## **GENERAL INFORMATION**

**SPEAKER OF COUNCIL** : Cllr. N.P. Mdunge

## **MEMBERS OF THE EXECUTIVE COMMITTEE**

Councillor	S.S. Mbhele	(01 Jul 2018 to Feb 2019):	Mayor, Exco. Chairperson
Councillor	G.M. Zondi	(01 Jun 2019) to 30 Jun 2019):	Mayor, Exco Chairperson
Councillor	M.P. Dlamini	:	Deputy Mayor
Councillor	S.M. Mbatha-Ntuli	:	Exco Member
Councillor	N.E. Cebekhulu	:	Exco Member
Councillor	M.P. Majazi	:	Exco Member

## **CATEGORY OF LOCAL AUTHORITY**

CATEGORY TWO (2)

## **AUDITORS**

AUDITOR-GENERAL SOUTH AFRICA

## **BANKERS**

FIRST NATIONAL BANK

## **REGISTERED OFFICE**

Main Road  
New Hanover  
3230

## **TELEPHONE**

033 - 816800

## **MUNICIPAL MANAGER**

Mr. N.M. Mabaso

## **CHIEF FINANCIAL OFFICER**

Mr. R.M. Mani

## MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. N.P. Mdunge
PR	:	Cllr. S.S. Mbhele (01 Jul 2018 to 17 Feb 2019)
PR	:	Cllr. G.M. Zondi (01 June 2019)
PR	:	Cllr. N.T. Ngubane
PR	:	Cllr. T.C. Dlame
PR	:	Cllr. S.G. Jila
PR	:	Cllr. N.A. Thusi
PR	:	Cllr. B.K. Mkhize
PR	:	Cllr. A.T. Ndlovu
PR	:	Cllr. M.P. Dumakude
PR	:	Cllr. M.P. Majazi
PR	:	Cllr. V.M. Mncwabe
PR	:	Cllr. R. Thomas-Govender
PR	:	Cllr. M.N. Shezi
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. P.M. Dladla
W3	:	Cllr. B.E. Nzama
W4	:	Cllr. N.E. Cebekhulu
W5	:	Cllr. G.H. Ngcobo
W6	:	Cllr. M.W. Ngadi
W7	:	Cllr. S.M. Mbatha-Ntuli
W8	:	Cllr. N.W. Gasu
W9	:	Cllr. E.B. Mbongwe
W10	:	Cllr. C.S.S. Zuma-Dube
W11	:	Cllr. L.P. Zondi
W12	:	Cllr. S.J. Luthuli
W13	:	Cllr. N.R. Khanyile
W14	:	Cllr. M.Z. Mbewana

**MAYOR** : **Councillor G.M. Zondi**

**DEPUTY MAYOR** : **Councillor M.P. Dlamini**

## APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 18 to 57 were approved by the Municipal Manager on 29 August 2019 and presented to and approved by Council on 29 August 2019.

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**MUNICIPAL MANAGER**  
(Accounting Officer)  
29 August 2019

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**CHIEF FINANCIAL OFFICER**  
  
29 August 2019

## **Accounting Officer's Report**

As the accounting officer of uMshwathi Local Municipality, I am proud to present herewith the annual financial statement for the period ending 30 June 2019.

The annual financial statements are prepared as required in term of section 122 of the Municipal Finance Management Act and submitted to the Auditor General in terms of section 126 (1) (a) of the Municipal Finance Management Act. It is my view that the Annual financial statements fairly present the true financial position of the municipality and all the records to support the same are available for inspection.

I am of the opinion that based on the information provided to me by management and internal audit the systems of internal control provides reasonable assurance that the financial records may be relied upon for the preparation and submission of these annual financial statements. It must be noted that employee salaries are based on the collective agreement signed by labour and the South African Local Government Association. Councillor allowances are within the upper limits as set out in Government Notice 42134 dated 21 December 2018.

I have reviewed the Municipality's cash forecast for the year ending 30 June 2019 and in light of this review and the current financial position I am satisfied that the Municipality has access to adequate resources to fulfil all its obligations as required by various provisions of legislations.

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**Mr. N.M. Mabaso**  
**Municipal Manager**

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**Date: 31 August 2019**

**uMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**1. BASIS OF PRESENTATION**

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue
GRAP 13	Leases
GRAP 14	Events after Balance Sheet Date
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in the Financial Statements
GRAP 25	Employee Benefits
GRAP 31	Intangible Assets
GRAP 104	Financial Instruments.

**uMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

GRAP statements 4, 6, 7, 8, 10, 11, 12, 16, 27, 100, 101 and 103 have not been implemented since they do not affect the operations of the municipality.

Details of related party transactions are disclosed as per paragraph 27 of IPSAS 20.

These accounting policies are consistent with those of the previous financial year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

## **2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand

## **3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **4. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**5. RESERVES**

**5.1** *There are no Reserves*

**6. ASSETS**

**6.1 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value. If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Assets under construction are recognised as such and capitalized at the cost incurred as at year end. Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired. Refer to paragraph 14.1.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
<b>Infrastructure</b>			
Roads and Paving	30	Air Conditioners	5 to 10
		Other Vehicles	5
Electricity	20	Office equipment	5 to 10
		Furniture and Fitting	5 to 10
Street Lights	25	Other items of plant and	5



**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	equipment	
	Computers and Software	Computer
		5

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged against the Revenue.

Depreciation on assets under construction during the year is only provided for once the asset is brought into use.

## **6.2 INTANGIBLE ASSETS**

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over a period of five years. Intangible assets are disclosed at cost less amortization in the financial statements.

## **7. FINANCIAL INSTRUMENTS**

The fair value of financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are valued at cost, including interest capitalized, at the end of the reporting period.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying value of trade receivables and payables are assumed to approximate their fair values. Trade receivables (debtors) have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors and arrear accounts are charged interest on the arrear balance on a monthly basis.

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**7.1 ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. The bulk of the outstanding debtors are made up of rates and interest raised on arrear accounts over the years. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. No bad debts were written off during the year. Amounts that are receivable within 12 months from the reporting date are classified as realisable

The impairment for trade receivables is calculated on a portfolio basis and is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date.

**7.2 TRADE CREDITORS**

Trade creditors are stated at their nominal value.

**7.3 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and with banks. Cash equivalents are short- term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

**8. INVENTORIES**

The only inventory held is that of consumable stores. The cost of consumable stores is expensed at the time of purchase.

**9. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

UMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

## 10. REVENUE RECOGNITION

### 10.1 *Revenue from exchange transactions*

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use.

Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

### 10.2 *Revenue from non-exchange transactions*

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

## **11. CONDITIONAL GRANT AND RECEIPTS**

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

## **12. PROVISIONS**

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. The municipality provides for annual leave and long service awards. The leave provision is based on the number of days accrued to employees at year end multiplied by the daily basic salary applicable on 01 July. The provision for the long service award is valued by an actuary as at year end.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

## **13 LEASES**

Leases for photocopiers are recognised as operating leases and the contractual lease payments are recognised as expenses over the term of the lease.

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

The hire purchase agreement for the mayor's vehicle is classified as a finance lease and is recognised as an asset in the statement of financial position and the lessor is disclosed as a finance lease obligation.

## **14. IMPAIRMENT OF ASSETS**

### **14.1 Non-Cash-Generating Assets**

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

#### **Identification**

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

#### **Value in use**

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approaches:

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

**Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

**Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in a surplus or deficit.

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Reversal of an impairment loss**

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Re-designation**

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

## **15. EMPLOYEE BENEFITS**

### **15.1 Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus; incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### **15.2 Post-employment benefits: Defined Benefit plans**

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined benefit plan in exchange for that service:



**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

**16. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**17. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**18. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**19. COMPARATIVE INFORMATION**

**19.1 Current Year Comparatives**

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**19.2 *Prior Year Comparatives***

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

**20. Presentation of Budget Information**

The municipality is typically subject to budgetary limits in the form of an approved budget which is approved by Council through legislation and regulations applicable in preparation of budgets. The budget is prepared on an accrual basis and linked to performance outcome objectives. The reporting requirements puts an onus on the municipality to provide information on whether resources were obtained in accordance with the legally adopted budget.

The budget covers the financial year under review namely 01 July 2016 to 30 June 2017. The budget and the annual financial statements are prepared on the same basis of accounting. A comparison of the budget to actual amounts is reflected in the Statement of comparison of Budget and Actual Amounts.

**21. RELATED PARTIES**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

**uMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favorable than the terms it would use to conclude transactions with another entity or person are disclosed.

**22. COMMITMENTS**

Commitments for contracts already contracted for in the year under review but to be completed and payable in the following year are disclosed as contracted commitments and the approved capital budget for the following year is disclosed as uncontracted commitments.

**UMSHWATHI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019**

	<b>Note</b>	<b>2019 R</b>	<b>2018 Restated R</b>
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property , plant and equipment	5	243,195,620	227,054,984
Intangible Assets	6	241,791,630	224,983,878
		1,403,791	2,071,106
<b>Current assets</b>			
Receivables: Non-Exchange Transactions	7	133,388,659	95,971,600
Receivables: Exchange Transactions	7	78,635,060	44,148,900
Other debtors: Exchange	8	8,364,311	26,027,600
Other debtors: Non-Exchange	8	3,085,544	3,004,630
Value Added Tax Receivable	8	5,543,613	6,558,981
Call investment deposits	4	2,486,543	5,040,472
Bank balances and cash	9	33,520,998	9,988,447
	10/20	1,743,890	1,202,559
<b>Total Assets</b>		<b>376,594,480</b>	<b>323,026,584</b>
<b>Non - current liabilities</b>			
Long term liabilities	1	2,924,646	3,372,089
Non-current portion of Long Service Award Liability	2.1	-	982,988
		2,924,646	2,389,081
<b>Current liabilities</b>			
Creditors	2	17,998,344	6,390,583
Provisions	2.2	13,778,541	2,808,616
Current portion of Finance Lease Obligation	1	3,327,320	2,681,732
Current portion of Long Service Award Liability	2.1	-	0
Unspent conditional grants and receipts	3	-	253,985
Current portion of long term liabilities	1	892,483	-
		892,483	648,350
<b>Total Liabilities</b>		<b>20,922,990</b>	<b>9,762,662</b>
<b>Net Assets</b>		<b>355,661,490</b>	<b>313,263,933</b>
<b>NET ASSETS</b>			
<b>Net assets</b>			
Accumulated surplus		355,661,490	313,263,933
		355,661,490	313,263,933

**UMSHWATHI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2019**

BUDGET			ACTUAL		
2018 R	2019 R	REVENUE	Note	2019 R	2018 Restated R
Revenue from Non-Exchange Transactions					
35,700,000	42,250,000	Property rates	11	45,504,992	36,009,407
0	-	- Property rates - penalties imposed and collection charges		-	0
50,000	40,000	Traffic Fines		43,753	26,975
2,200,000	2,625,000	Income for agency services		2,911,297	2,754,300
92,274,000	97,972,000	Government grants and subsidies	13	97,972,000	92,274,000
39,016,000	27,098,000	Capital Funding	13	27,098,000	39,016,000
169,240,000	169,985,000			173,530,042	170,080,682
Revenue from Exchange Transactions					
1,950,000	2,250,000	Service charges	12	2,402,453	2,151,310
510,000	700,000	Rental of facilities and equipment		795,864	682,962
1,200,000	1,600,000	Interest earned - external investments		2,335,094	1,511,342
6,000,000	8,000,000	Interest earned - outstanding debtors		8,979,889	9,733,370
1,727,000	10,360,000	Other Income	14	1,273,806	299,066
13,387,000	22,910,000			15,787,106	14,378,050
182,627,000	192,895,000	Total Revenue		189,317,147	184,458,733
EXPENDITURE					
63,164,000	67,617,800	Employee related costs	15	67,303,299	64,229,205
9,500,000	9,620,000	Remuneration of Councilors	16	9,741,464	9,436,121
250,000	200,000	Collection costs		261,686	111,036
12,500,000	14,000,000	Depreciation	5/6	13,501,207	12,622,103
0	0	Repairs and maintenance		0	0
1,200,000	200,000	Interest paid	17	167,322	418,691
29,359,000	35,045,000	Contracted services	22.6	28,597,842	30,026,094
23,139,000	31,700,200	General expenses	22.6	23,113,120	22,644,941
500,000	500,000	Contribution to Provisions		2,346,387	416,395
4,000,000	6,914,000	Contribution to Capital		-	-
143,611,000	165,797,000	Total Expenditure		145,034,326	139,903,588
39,016,000	27,098,000	Surplus for the year		44,282,821	44,555,146

Refer to Appendix E .1 for explanation of variances

uMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Note	Accumulated Surplus	R
<b>Balance as per 30 June 2017</b>			268,708,787
Surplus - (deficit) for the year			44,555,146
Prior Year Adjustments: Pension and PAYE	23		(1,885,268)
<b>Original Balance as at 30 June 2018</b>			<b>311,378,668</b>
Surplus for the year			44,282,821
Prior Year Adjustments	23		-
<b>Balance as at 30 June 2019</b>			<b>355,661,488</b>

**UMSHWATHI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 R	2018 R	Restated R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Sales of Goods and Services		9,169,207	40,105,601	
Grants		97,972,000	92,274,000	
Interest Received		2,335,094	1,511,342	
Other Receipts		27,098,000	39,016,000	
		<u>136,574,301</u>	<u>172,906,943</u>	
<b>Payments</b>				
Employee Costs		(77,044,763)	(73,865,325)	
Suppliers		(51,972,648)	(52,781,072)	
Interest Paid		(167,322)	(418,691)	
		<u>(129,184,733)</u>	<u>(126,865,088)</u>	
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	19	<u><b>7,389,568</b></u>	<u><b>46,041,855</b></u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	5	(29,641,843)	(36,643,119)	
Purchase of Software	6	-	(377,500)	
Investments redeemed/acquired		23,532,451	(4,478,746)	
Proceeds from disposal of Assets		-	-	
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<u><b>(6,109,392)</b></u>	<u><b>(41,499,364)</b></u>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of external loans		(738,855)	(4,254,380)	
Repayment of finance lease obligations			(13,238)	
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u><b>(738,855)</b></u>	<u><b>(4,267,618)</b></u>	
<b>NET (DECREASE ) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u><b>541,321</b></u>	<u><b>274,873</b></u>	
Cash and cash equivalents at the beginning of the year		1,202,569	927,697	
Cash and cash equivalents at the end of the year	20	<u><b>1,743,890</b></u>	<u><b>1,202,569</b></u>	
		<u><b>541,321</b></u>	<u><b>274,873</b></u>	

# Statement of Comparison of Budget and Actual Amounts

## Operational Budget

Details	Original Budget	Adjustments (S 28)	Final Budget	Actual	Variance	Comments
<b>Revenue from Non-Exchange Transactions</b>						
Property Rates	36,200,000	6,050,000	42,250,000	45,504,992	3,254,992	The increase in net rates is due to the over budget for rebates on Government properties
Traffic Fines	70,000	(30,000)	40,000	43,753	3,753	
Income for agency services	2,300,000	325,000	2,625,000	2,911,297	286,297	There was an increase in the intake of licence renewals
Grants: Operational	97,972,000	-	97,972,000	97,972,000	0	
	<b>136,542,000</b>	<b>6,345,000</b>	<b>142,887,000</b>	<b>148,432,042</b>	<b>3,545,042</b>	
<b>Revenue from Exchange Transactions</b>						
Service Charges	2,070,000	180,000	2,250,000	2,402,453	152,453	There were some additional applications for refuse removal during the year
Rental of facilities and equipment	550,000	150,000	700,000	795,864	95,864	There was an increase in tenants taking up space at the Thusong Centre
Interest earned - external investments	1,500,000	100,000	1,600,000	2,335,094	735,094	Investments were held for longer periods during the year thus an increase in interest earned
Interest earned - outstanding debtors	8,000,000		8,000,000	8,979,889	979,889	Interest on arrear debt increased due to the increase in debtors
Other income	10,380,000	(20,000)	10,360,000	1,273,806	(9,086,194)	
	<b>22,500,000</b>	<b>410,000</b>	<b>22,910,000</b>	<b>15,787,106</b>	<b>(7,122,894)</b>	
<b>Total Operating Revenue</b>	<b>159,042,000</b>	<b>6,755,000</b>	<b>165,797,000</b>	<b>162,219,147</b>	<b>(3,577,853)</b>	
<b>Operating Expenditure</b>						
Employee Costs	64,577,000	2,860,800	67,437,800	67,303,299	(134,501)	
Councillor Allowances	9,900,000	(100,000)	9,800,000	8,741,464	(58,536)	
Depreciation	13,500,000	500,000	14,000,000	13,501,207	(498,793)	Certain projects were not completed during the year
Interest Paid	360,000	(160,000)	200,000	167,322	(32,678)	The budget for finance charges was over budgeted
Other Expenditure	64,461,000	2,484,200	66,945,200	51,972,848	(14,972,352)	Certain expenditure that was budgeted for were not incurred due to cost cutting measures.
Contribution to Reserves	500,000	-	500,000	2,348,387	1,848,387	
Contribution to Capital	-	-	-	-	-	
<b>Operational Expenditure</b>	<b>153,298,000</b>	<b>5,585,000</b>	<b>158,883,000</b>	<b>145,034,326</b>	<b>(13,848,674)</b>	
<b>Operating Surplus before Capital Expenditure</b>	<b>5,744,000</b>	<b>1,170,000</b>	<b>6,914,000</b>	<b>17,184,821</b>	<b>10,270,821</b>	
Capital Transfer Recognised	27,098,000	0	27,098,000	27,098,000	0	



Surplus for the year before Capital Expenditure	32,842,000	1,170,000	34,012,000	44,282,821	10,270,821	
Capital Expenditure	(42,516,000)	0	(42,516,000)	(37,178,181)	5,338,619	There was a delay in initiating certain projects
Surplus for the year after Capital Expenditure	(9,674,000)	1,170,000	(8,504,000)	7,106,640	15,610,640	

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1 LONG TERM LIABILITIES**

	2019 R	2018 Restated R
Capitalised lease liability	892,483	1,631,338
External loans	892,483	1,631,338
Less current portion transferred to current liabilities	(892,483)	(646,350)
	<u>-</u>	<u>982,988</u>

External loans are made up of loans from the Development Bank of SA and First National Bank as detailed in Appendix A

**Finance Lease Obligation**

Minimum Lease Payment Due

- within 1 year

	-	-
	-	-
	-	-
	-	-
	-	-

Present Value of minimum lease payments

- within 1 year

The lease term is 5 years. The finance charges is recognised as an expense in the statement of financial performance.

The leased asset, the Jeep Grand Cherokee, is included in Property Plant and equipment in Note 6

**Net Long Term Liabilities**

External Loans

	-	982,988
	-	982,988

**2 CREDITORS**

Trade creditors

National Lottery

Unallocated Receipts

Other creditors - Salary Control

Insurance Payment - Burnt Offices

	13,242,224	2,570,118
	-	144,979
	13,020	91,519
	523,297	-
	-	-
	<u>13,778,541</u>	<u>2,806,616</u>

**2.1 Provision for Long Service Award**

Non Current Liability for Long Service Award

	2,924,646	2,389,081
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**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**Current Liability for Long Service Award**

2019	2018
R	Restated R
2,924,646	253,885
<u>2,924,646</u>	<u>2,642,966</u>

An actuarial valuation was done for the provision for Long Service Awards to Current employees in terms of GRAP 25 and a liability raised accordingly. Due to the uncertainty of who will be entitled to the award an actuarial valuation was done on all employees based on their date of appointment together with the policy on the qualifying of the Long Service Award.

**2.2 Leave Provision**

Opening Balance	2,681,732	2,896,429
Leave Paid	(1,421,119)	(1,564,636)
Unutilised Leave	<b>1,260,613</b>	<b>1,231,783</b>
Current Contribution	2,066,707	1,449,939
Closing Balance	<b>3,327,320</b>	<b>2,681,732</b>

Provision for leave relates the number of days accumulated by employees during the reporting period. The provision is calculated on the leave balance due on 30 June 2018. This is the amount the employee will be entitled to should the employee cease employment on 30 June 2018. The municipality is not aware of the time when the leave will be paid out since this is dependent on the time when the employee ceases to be an employee

**3 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**3.1 Conditional grants from other spheres of government**

**Total conditional grants and receipts**

**MIG**

Opening Balance	-	-
Received During the year	27,098,000	39,016,000
Expended During the year	(27,098,000)	(39,016,000)
Closing Balance	-	-

**FMG**

Opening Balance	-	-
Received During the year	1,970,000	1,900,000
Expended During the year	(1,970,000)	(1,900,000)
Closing Balance	-	-

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**Public Works: EPWP**

Opening Balance  
 Received During the year  
 Expended During the year  
 Closing Balance

**DoE Funding**

Opening Balance  
 Received During the year  
 Expended During the year  
 Closing Balance

**Provincial Grant: Department of Arts and Culture**

Opening Balance  
 Received During the year  
 Expended During the year  
 Closing Balance

**4 VAT Receivable**

VAT refundable

VAT is payable on the receipts/payment basis

**5 PROPERTY, PLANT AND EQUIPMENT**

Reconciliation of carrying value

Carrying value at 1 July 2018  
 Cost

Accumulated depreciation  
 - Cost

	2019 R	2018 Restated R
Public Works: EPWP		
Opening Balance	-	-
Received During the year	1,471,000	2,065,000
Expended During the year	(1,471,000)	(2,065,000)
Closing Balance	-	-
DoE Funding		
Opening Balance	-	-
Received During the year	10,000,000	3,000,000
Expended During the year	(10,000,000)	(3,000,000)
Closing Balance	0	0
Provincial Grant: Department of Arts and Culture		
Opening Balance	-	-
Received During the year	2,711,000	932,000
Expended During the year	(2,711,000)	(932,000)
Closing Balance	-	-
4 VAT Receivable		
VAT refundable	2,495,543	5,040,472
	<b>2,495,543</b>	<b>5,040,472</b>

	Land and Buildings	Roads Infrastructure	Furniture & Equipment	Vehicles	Machinery & Tools	Total
Carrying value at 1 July 2018	139,687,075	152,610,336	8,925,125	10,124,567	2,872,140	314,219,243
Cost	(22,147,675)	(52,172,249)	(6,559,197)	(7,220,392)	(1,135,851)	(89,235,365)

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019		2018	
	R		Restated R	
Acquisitions	117,539,400	100,438,086	2,365,928	2,904,175
Capital under construction	6,235,000	9,184,571	1,307,766	1,736,289
Depreciation	6,792,364	5,952,142		170,000
- based on cost	(3,888,016)	(6,954,230)	(1,083,034)	(129,309)
Disposal: Cost				(12,833,892)
Accumulated Depreciation				(2,028,993)
				2,028,993
Carrying value at 30 June 2019				
Cost	152,714,439	167,747,049	10,232,891	8,095,574
Accumulated depreciation				3,042,140
- Cost	(26,035,690)	(59,126,479)	(7,642,231)	(5,970,702)
				(1,265,161)
	126,678,749	108,620,570	2,590,660	2,124,872
				1,776,979
				241,791,830
Reconciliation of carrying value				
Carrying value at 1 July 2017				
Cost	121,898,874	135,356,736	8,226,840	9,401,707
Accumulated depreciation				2,691,967
- Cost	(18,853,653)	(45,824,637)	(6,351,401)	(980,749)
				(77,223,006)
Acquisitions	103,045,221	89,532,099	2,875,439	3,189,140
Capital under construction	7,009,338	13,228,256	698,286	722,860
Depreciation	10,778,863	4,025,344		180,173
- based on cost	(3,294,021)	(6,347,613)	(1,207,796)	(155,102)
				(12,012,358)

**MSHWATHI LOCAL MUNICIPALITY**

Disposal: Cost									
Accumulated Depreciation									
Carrying value at 30 JUNE 2018									
Cost	139,687,075	152,610,336	8,925,125	10,124,567	2,872,140				314,219,243
Accumulated depreciation									0
- Cost	(22,147,675)	(52,172,249)	(6,559,197)	(7,220,392)	(1,135,851)				(89,235,365)
	117,539,400	100,438,086	2,365,928	2,904,175	1,736,289				224,983,878

**Note:** Some fully depreciated furniture and equipment is still in use. Their useful lives were correctly determined on acquisition however they are still in a good condition and there was no reason for them to be scrapped. It was decided not to revalue the said assets.

**Refer to Appendix B** for more detail on property, plant and equipment

### Assets Under Construction:

Thuthuka Training Centre	Completed in 2018/19	590,547
Bhamshele Taxi Rank	Completed in 2018/19	1,310,465
Sicolele Community Hall	Work in Progress	986,763
Sportsfield	Work in Progress	7,099,532
Mount Elias Hall	Completed in 2018/19	791,556
Ndlavaleni Road	Completed in 2018/19	4,025,344
Disability Skills Centre	Work in Progress	113,075
Construction of Mthizane Creche	Work in Progress	110,880
High Mast Lighting	Work in Progress	19,992
Community Offices	Work in Progress	723,405
Shiyabazali Internal Roads	Work in Progress	1,149,684
Cool Air/Dalton Intersection	Work in Progress	1,858,042
Mbeka Access Road	Work in Progress	479,610
D1013	Work in Progress	2,423,426
Thokozane Access Road	Work in Progress	41,400
		<b>12,744,516</b>
		<b>14,804,207</b>

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**6 INTANGIBLE ASSETS**

**Software Licences and LAN Network**

Cost: 30 June 2018			
Accumulated Amortisation	3,658,417	3,280,918	
Carrying Value 01 July 2018	(1,587,312)	(977,567)	
Additions - 2018/19	<b>2,071,106</b>	<b>2,303,351</b>	
Amortisation for the year	0	377,500	
	(667,315)	(609,745)	
	<b>(667,315)</b>	<b>(232,245)</b>	
Cost: 30 June 2018	3,658,417	3,658,417	
Accumulated Amortisation	(2,254,626)	(1,587,312)	
Carrying Amount 30 June 2018	<b>1,403,791</b>	<b>2,071,106</b>	

2019  
R

2018  
Restated  
R

The software and network is being amortised over 5 years being its useful life.

**7 CONSUMER DEBTORS**

**Balances at 30 June 2019**

**Receivables from Exchange Transactions**  
 Service debtors  
 Sundry Other: Interest and Rental

**Receivables from Non-Exchange Transactions**  
 Rates  
 Total

Gross balance	Provision for doubtful debts	Net balance
7,388,475	(731,465)	6,657,010
19,111,514	(17,404,213)	1,707,302
<b>26,499,989</b>	<b>(18,135,678)</b>	<b>8,364,311</b>
98,388,188	(19,753,128)	78,635,060
<b>124,888,177</b>	<b>(37,888,806)</b>	<b>86,999,371</b>

**Ageing**

	( 0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days	> 120 days	Total
Agriculture	4,842,725	3,008,731	2,096,646	2,065,412	112,875,162	124,888,577
Commercial	930,179	373,408	282,025	280,983	11,683,398	13,549,992
Government	733,077	395,536	312,308	310,305	8,287,325	10,038,550
Residential	1,646,689	1,339,349	772,781	726,237	51,215,726	55,700,783
	1,532,781	900,439	729,433	747,887	41,688,713	45,589,252

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 Restated R
<b>Balances at 30 June 2018</b>		
<b>Receivables from Exchange Transactions</b>		
Service debtors	3,749,029	(731,455)
Other: Interest and Rental	40,414,249	(17,404,213)
	<b>44,163,278</b>	<b>26,027,600</b>
<b>Receivables from Non-Exchange Transactions</b>		
Rates	63,902,029	(19,753,128)
<b>Total</b>	<b>108,065,306</b>	<b>70,176,500</b>

**Gross balance**

**Provision for doubtful debts**

**Net balance**

**Ageing**

	( 0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days	> 120 days	Total
<b>Agriculture</b>	4,388,429	2,875,629	2,039,265	2,023,277	96,738,707	108,065,306
<b>Commercial</b>	866,928	452,781	326,252	275,379	11,350,460	13,271,800
<b>Government</b>	700,047	398,958	313,864	399,795	6,619,850	8,432,513
<b>Residential</b>	1,484,102	1,185,661	730,685	707,533	43,882,369	47,990,341
	1,337,353	838,240	668,463	640,569	34,886,029	38,370,653

The carrying value of debtors is assumed to approximate its fair value since interest is charged on accounts once gone into arrears. An estimate is made of doubtful debts based on a review of outstanding debtors at year end. The current provision is considered since the bulk of the debtors are rates and Government Departments. The amount owing by government departments is R 47 553 646 (60 600 164- 2017), the biggest debt being that owed by the Department Water Affairs, namely, R29 737 218. Debtors have not been discounted since interest is charged on arrear balance on a monthly basis.

**8 OTHER DEBTORS**

District Municipality	404,245	404,245
Thokazane housing	1,438,745	1,438,745
Department of Housing	165,332	165,332
Housing Debtors	946,560	946,560
Accrued Interest	130,673	49,759
	<b>3,085,544</b>	<b>3,004,630</b>
<b>Debtors: Traffic Fines</b>	<b>24,763</b>	<b>25,072</b>
<b>Balance Brought Forward</b>	<b>25,072</b>	<b>24,878</b>
<b>Fines Issued</b>	<b>466,950</b>	<b>359,650</b>



**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	R	Restated R
Payments Received		
Impairment based on Historical payment rate	(44,062)	(26,781)
Acknowledge of Debt	(423,197)	(332,676)
Other creditors - Salary Control	5,028,888	4,417,864
Other	0	1,626,082
	489,962	489,962
Total other debtors	<u>5,543,613</u>	<u>6,558,981</u>
	<u>8,629,157</u>	<u>9,563,811</u>

**9 CALL INVESTMENT DEPOSITS**

32 day/90 day deposits

	33,520,898	9,988,447
	<u>33,520,898</u>	<u>9,988,447</u>

Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

Bank	Account No.	Amount
Standard	0536 - 1443 4-14	19,586
Nedbank		
Investment 1	1461827	-
Investment 2	0635053	-
Investment 3	1679521	-
FNB		
Investment 1	62101572081	8,918,815
Investment 2	62101572172	132,493
Call Account	62101571710	19,156,622
Call Account: Housing	62214429799	80,614
Call Account	74491854045	423,487
ABSA *		
Investment 1	20- 66260264	4,789,272
		<u>33,520,898</u>
		<u>9,988,447</u>

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	R	Restated R

**10 BANK BALANCES AND CASH**

The Municipality has the following bank accounts:  
 Current account (Primary bank account)

First National Bank  
 Account number - 62025429232

Cash book balance at beginning of year	1,199,906	925,034
Cash book balance at end of year	1,741,190	1,199,906
Bank statement balance at beginning of year	1,199,912	879,457
Bank statement balance at end of year	1,741,156	1,199,912

**11 REVENUE FROM NON EXCHANGE TRANSACTIONS - PROPERTY RATES**

	2019	2018
	R	Restated R
<b>Actual</b>		
Agricultural	10,476,500	4,655,448
Residential	12,709,358	11,036,241
Commercial	6,709,575	6,202,137
Public service infrastructure	1,144,419	1,281,928
State	14,465,140	12,833,654
<b>Total assessment rates</b>	<b>45,504,992</b>	<b>36,009,407</b>
<b>Gross Rates</b>	<b>70,038,536</b>	<b>61,203,612</b>
<b>Rebates</b>	<b>(24,533,545)</b>	<b>(25,194,205)</b>
<b>Net Rates</b>	<b>45,504,992</b>	<b>36,009,407</b>

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	R	Restated R
<b>Valuations as at 01 July 2017</b>		
Agricultural	4,679,216,000	4,679,216,000
Small Holding	259,293,000	259,293,000
Residential	1,250,071,000	1,250,071,000
Commercial	460,260,000	460,260,000
Public service infrastructure	1,238,863,000	1,238,863,000
State		
Public Benefit Organisations	101,878,000	101,878,000
Places of Worship	43,121,000	43,121,000
Other	158,823,000	158,823,000
Total property valuations	<b>8,191,525,000</b>	<b>8,191,525,000</b>
<b>12 REVENUE FROM EXCHANGE TRANSACTIONS - SERVICE CHARGES</b>		
Refuse removal	2,402,453	2,151,310
	<b>2,402,453</b>	<b>2,151,310</b>
<b>13 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	91,820,000	87,377,000
Conditional Grants: Operating	6,152,000	4,897,000
	97,972,000	92,274,000
Conditional Grants: Capital	27,096,000	39,016,000
	<b>125,070,000</b>	<b>131,290,000</b>
FMG	1,970,000	1,900,000
Department of Public Works: EPWP	1,471,000	2,065,000
Department of Arts and Culture	2,711,000	932,000
Operational Conditional Grants	6,152,000	4,897,000
MIG	27,098,000	39,016,000
Capital Conditional Grants	27,098,000	39,016,000
Total Conditional Grants	<b>33,250,000</b>	<b>43,913,000</b>
<b>14 OTHER INCOME</b>		

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	R	Restated R
Fees: Photocopies	28,117	34,700
Fees: Rates Clearance	35,051	17,257
Interest: Current Account	55,145	52,478
Community Hall	57,415	0
Maintenance	244,317	188,248
Cemetery	4,957	4,638
Library Fines	1,228	1,743
Taxi Rank Permits	15,000	0
Gain on Scrapping of Assets	832,578	0

	<b>1,273,806</b>
	<b>299,066</b>

**15 EMPLOYEE RELATED COSTS**

Employee related costs - salaries and wages	45,573,672	43,849,554
Employee related costs - contributions to UIF, pension and medical costs	12,053,154	10,981,985
Travel, vehicle, accommodation, subsistence and other allowances	3,698,152	3,380,117
Housing benefits and allowances	606,690	1,141,615
Overtime payments	170,395	155,195
Standby Allowance (previously included in salaries)	1,281,897	1,071,072
Bonus	3,359,933	3,138,170
Skills Levy/Bargaining Council	559,406	511,497
<b>Total employee related costs</b>	<b>67,303,299</b>	<b>64,229,204</b>

There were no loans to employees.

**Included in Employee Related costs:**

**Remuneration of the Municipal Manager**

Remuneration	592,958	701,640
Car allowance	395,306	467,766

	<b>988,264</b>
	<b>1,169,406</b>

**Remuneration of the Chief Financial Officer**

Annual remuneration	698,500	861,408
Bonus	0	16,000
Car allowance	112,916	122,800

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

Contributions to Medical and Pension Funds

**Remuneration of other managers**  
**30-Jun-2019**

Annual remuneration

Car allowance

Contributions to Medical and Pension Funds

**30-Jun-2018**

Annual remuneration

Car allowance

Contributions to Medical and Pension Funds

**16 REMUNERATION OF COUNCILLORS**

Mayor

Deputy Mayor

Speaker

Executive committee members

Councillors

Skills Levy

Being a full time councillors the Mayor, the Deputy Mayor and the Speaker have the use of an office and a council vehicle for official duties

**17 INTEREST PAID**

External loans

Finance leases

**18 OPERATING LEASES - RENTALS: COPIERS**

The municipality has recognised the lease on photocopiers as operating leases and recognised the contractual of R 1338 500.00 for the first 10

2019	2018
R	Restated R
0	943
<b>811,416</b>	<b>1,001,151</b>

Technical Services	Corporate Services	Community Services
486,850	631,416	654,980
324,566	180,000	156,436
-	0	0
<b>811,416</b>	<b>811,416</b>	<b>811,416</b>

804,144	631,996	775,032
155,999	128,147	165,111
-	0	0
<b>960,143</b>	<b>960,143</b>	<b>960,143</b>

855,349	822,313
689,800	663,131
689,800	663,131
1,121,817	1,078,254
6,302,065	6,128,448
82,633	80,842
<b>9,741,464</b>	<b>9,436,121</b>

167,322	418,691
0	0
<b>167,322</b>	<b>418,691</b>

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

payments as expenses. The lease was signed up on 01 July 2017

Operating Lease Commitments:

- within 1 year
- within 2 months

2019 R	2018 Restated R
0	166,200
0	27,700
<u>0</u>	<u>193,900</u>

**19 CASH GENERATED BY OPERATIONS**

Surplus for the year	44,282,821	44,555,146
Depreciation	13,501,207	12,622,103
Contributions to provisions- non-current	2,348,387	416,395
Gain on Scrapping of Vehicle	0	0
Operating surplus before working capital changes	60,132,415	57,593,644
Change in Working Capital	(52,742,847)	(11,551,789)
	<u>7,389,568</u>	<u>46,041,855</u>

**20 BANK BALANCES AND CASH**

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

Cash on Hand	2,700	2,664
Bank balances and cash	1,741,190	1,199,906
	<u>1,743,890</u>	<u>1,202,569</u>

**21 RELATED PARTY TRANSACTIONS**

There were no related party transactions

**22 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**22.1 Audit fees**

1,426,980	1,413,159
-----------	-----------

**22.2 VAT**

	2,019	2018
	R	Restated R
Opening balance	5,011,464	2,161,471
Current year output VAT	(983,679)	(803,122)
Current year input VAT	7,644,236	9,044,442
Amount refunded by SARS	(9,557,141)	(5,391,327)
Amount due from SARS	<u>2,014,881</u>	<u>5,011,464</u>

**Current year payroll deductions and Council UIF contributions**  
**Amount paid - current year**

## 22.4 Pension and medical aid deductions

17,780,400	15,931,450
17,780,400	15,931,450

**No Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2016**

Advertisements	Contracted Services
EAP	Contracted Services
FBS & FBE	Contracted Services
Induction and Team Building	Contracted Services
Information Technology	Contracted Services
Insurance	Contracted Services
Internal Audit	Contracted Services
Job Evaluation	Contracted Services
LED Projects	Contracted Services
Legal Expenses	Contracted Services
Machinery: Cemetaries	Contracted Services
mScoa Support	Contracted Services
Plant Hire	Contracted Services
Postage & Stamps	Contracted Services

Page 37

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>Restated R</b>
Pound	104,500	120,385
Preparation of various Plans	0	308,456
Refuse Removal	1,221,967	937,815
Rental: Copiers	926,616	857,534
Repairs and Maintenance	12,120,046	14,184,561
Review of LUMS	670,615	147,335
Review of SDF	209,000	600,230
Security	2,257,591	2,156,646
Subscriptions	780,573	691,476
Tools	23,900	0
Town Planning	61,000	24,904
Training	706,279	957,729
Valuation Fees	388,341	354,347
<b>Contracted Services</b>	<b>28,597,842</b>	<b>30,026,094</b>
Arts and Culture	280,500	186,268
Audit Fee: External	1,426,980	1,413,159
Awareness Projects	57,358	4,399
Bank Charges	95,683	97,328
Batho Pele	80,600	0
Bursaries	190,519	487,633
Chemicals and Oil Dispersants	4,190	0
Communication: Budget Process	799,216	819,990
Community Projects: Children	136,751	167,929
Community Projects: Gender Empowerment	268,481	367,912
Community Projects: HIV/AIDS	636,665	470,248
Community Projects: Mnyaveta	0	1,080,964
Community Projects: People Living with Disability	27,542	38,956
Community Projects: Senior Citizens	93,791	160,921
Conferences & Seminars	196,192	124,460
Consulting Fees	45,609	145,916
Crime Prevention	12,691	21,539
Disaster Management	262,751	364,764
Hospitality/Mayor's Outreach Program	369,065	8,672
IDP Review	195,599	456,250
Law Enforcement	0	3,311
Levy Research	0	11,923
Machinery	25,217	0



**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	R	Restated R
<b>Materials</b>		
Occupational Health and Safety	134,920	970,929
Pauper Bursals	1,137,120	874,876
Printing and Stationery	32,385	67,657
Purchases: Electricity	365,402	487,158
Performance Awards	2,577,648	2,361,874
Refreshments	85,969	0
Social Empowerment	207,534	88,840
Special Projects	1,593,649	44,786
Sports Promotion	74,900	6,806
Strategic Workshop	958,516	1,042,928
Substance and Travelling	228,353	0
Telephones	1,590,800	1,540,009
Transport/Vehicle Cost	2,548,274	3,548,463
Ward Committees	2,777,801	2,700,791
Workmen's Compensation	1,375,729	1,709,985
Youth Desk	1,607,190	80,456
<b>General Expenses</b>	611,527	696,838
<b>Total</b>	<b>23,113,120</b>	<b>22,644,941</b>
	<b>51,710,962</b>	<b>52,670,036</b>

**22.7 Reclassifications**

Fines have been reclassified as fines under other income in the statement of financial performance

Traffic Fines	43,753	26,781
Library Fines	1,228	1,743
	<b>44,981</b>	<b>28,524</b>

**Substance and Travelling included in General Expenses**

Accommodation	1,013,459	1,205,121
Car Rental	21,754	94,964
Flights	129,619	151,983
Incidental	49,885	52,435
Own Transport	376,083	35,505
	<b>1,590,800</b>	<b>1,540,009</b>

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**Repairs and Maintenance has been reclassified and included in Contracted Services in the statement of Financial Performance**

	2019 R	2018 Restated R
Road Maintenance		
Maintenance	5,314,789	4,209,036
Materials	704,751	2,282,801
Plant and Machinery	0	3,036,519
	<b>6,019,540</b>	<b>9,528,356</b>
Building Maintenance		
Creches	1,476,729	422,264
Halls/Sportsfields	3,997,595	2,590,717
Electrification	0	842,514
Office Buildings	390,968	153,284
Taxi Rank	0	484,541
	<b>5,865,292</b>	<b>4,493,340</b>
Equipment Maintenance	26,601	32,670
Plant Maintenance	208,613	130,195
	<b>235,214</b>	<b>162,865</b>
	<b>12,120,046</b>	<b>14,184,561</b>

**Total Repairs and Maintenance**

**22.8 Bank Accounts held by the Municipality**

	Type	A/C No.	2019 Opening	2019 Closing	2,018 Opening	2,018 Closing
FNB - Primary Bank Account	Chq	62025459232	1,199,906	1,741,156	879,457	1,199,906
			<b>1,199,906</b>	<b>1,741,156</b>	<b>879,457</b>	<b>1,199,906</b>
Standard Bank	Inv	0536-1443-4-14	18,213	19,586	16,912	18,213
Nedbank	Inv	1461827	18,713	0	17,723	18,713
Nedbank	Inv	0635053	20,372	0	19,294	20,372
Nedbank	Inv	1679521	104,423	0	98,897	104,423
FNB	Inv	62101572081	2,540,809	8,918,815	641	2,540,809
FNB	Inv	62101572172	126,001	132,493	119,711	126,001
FNB	Inv	62101571710	2,178,446	19,156,622	585,845	2,178,446
FNB	Inv	62214429799	76,698	80,614	72,913	76,698

2019	2018
R	R
372,184	397,112
4,205,591	4,507,659
5,509,701	9,988,447

23 PRIOR YEAR ERROR

3,659,739  
(3,169,993)  
1,395,520  
1,885,266

**Infrastructure**  
- approved and contracted for

11,049,333	9,844,455
<u>11,049,333</u>	<u>9,844,455</u>

0	0
11,049,333	9,844,455
<b>11,049,333</b>	<b>9,844,455</b>

## Current Year's Contribution

11,126,694	10,431,305
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**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>Restated</b>
		<b>R</b>

**25.1 SUPERANNUATION FUND**

The actuarial value of total assets was R10 113.227 million at the actuarial date.

25.1.1. surplus of R 0.00 million in respect of pensioners (funding level 100.0%)

25.1.2. surplus of R 0.00 million in respect of members (funding level 100 %)

25.1.3. the fund was thus 100,0% funded

25.1.4. the fund did not hold an investment reserve.

25.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41 % of member's pensionable emoluments

25.1.6. An additional contribution by way of a surcharge amounting to 9.5% of salaries is currently in place to fund the deficit. This surcharge will build up the Solvency Reserve.

**25.2 RETIREMENT FUND**

The actuarial value of total assets was R3 650.776 million at the actuarial valuation date

25.2.1. surplus of R 0.00 in respect of pensioners (funding level 100,0%)

25.2.2. deficit of R 148.694 million in respect of members (funding level 91.1%)

25.2.3. the fund was thus 98.1 funded

25.2.4. the fund did not hold an investment reserve

25.2.5. the total contribution rate payable will include a surcharge of 17.5% payable to reduce the deficit in the fund.

**25.3 PROVIDENT FUND**

The actuarial value of total assets was R2 638.064 million at the actuarial valuation date.

25.2.1. surplus/deficit of R 0.00 and the funding level is 107.4%

25.2.3. the fund was thus 107.4 funded

25.2.4. the fund did not hold an investment reserve

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>Restated</b>
		<b>R</b>

**26 CONTINGENT LIABILITIES**

None

**27 RISK MANAGEMENT**

The municipality's activities expose it to a variety of financial risks: market risk ( fair value interest rate risk and cash flow interest rate risk) credit risk and liquidity risk. The municipality has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

**Liquidity risk**

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

**Interest rate risk**

As the municipality has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customers, taking into account its financial position, past experience and other factors.

**28 Financial Instruments**

**Financial Assets**

**Receivables**

Receivables from Exchange Transactions

Receivables from Non-Exchange Transactions

	8,364,311	26,027,600
	78,635,060	44,148,900

**Cash and Cash Equivalents**

Call Investments

Bank

	33,520,898	9,988,447
	1,741,190	1,199,906

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

Cash Floats and Petty Cash

	2019	2018
	R	Restated R
	2,700	2,884
	<b>122,264,159</b>	<b>81,367,516</b>

**Financial Liabilities**

Long-term Loans  
Trade and Other Payables

	892,483	1,631,338
	13,778,541	2,806,616
	<b>14,671,024</b>	<b>4,437,954</b>

**Note 29 DEVIATIONS**

The following is a list of expenditure for which there was a deviation from the normal SCM process

NO.	UNIQUE NO.	DATE REQUESTED	DEPARTMENT	REASONS FOR DEVIATING	COMPANY AWARDED	AMOUNT	VOTE NUMBER	MOTIVATION
1	404	29.06.2018	Traffic	Single Provider	Truvelo	9,769.17	O0021-5/IE00632/F004-/X035/	Single Provider for this services
2	1139	30.09.2018	Corporate Services	Emergency	Prosyscom	95,511.00	O0001/F00778/F0041/X045	Replacement of four (04) switches damaged by lightning over the week-end. Network down for most areas.
3	1077	14.09.2018	Technical Services	Emergency	on Builders and Suppliers	49,795.00	O001-5-4/IE00649/F004-/	Urgent request to repair and fix the changing room geyser and leaking sewerage health hazards and workers threaten to stop working.
4	1140	11.10.2018	Corporate Services	Single provider	Gagasi IT (Pty)(Ltd)	100,697.45	O0002/IE00702/F004-/X052/R1321	Trend renewal for 12 Months only approved service provider for Trend Enterprise to provide the support and renewal.
5	1141	13.12.2018	Corporate Service	Exceptional Circumstance	Ycoson IT Solutions	29,789.60	O000-/IE00600/F004-/X052/R1321/X001/CORP	Server crashed and system interrupted.
6	421	24.12.2018	Community Services	Exceptional Circumstances	Mabiyela Construction	27,000.00	O-273-1-/IE00571/F004-/X-32	Community were complaining that skips were overflowing, truck hire to clear the waste
7	342	7/06/2019	Community Services	Exceptional Circumstance	Norman Bruteseth & Associates	60,437.72	O000-/IF00578/F0041/X045	There was an urgent appeal and there was no attorney available to assist Municipality on planning legal matters therefore the contract was approved
8	426	27/06/2019	Community Services	Exceptional Circumstance	Mabiyela Construction	40,800.00	O-273-3/IE0057-/F0041	The truck broke off on Thursday, 30 May 2019 and went for repairs on Friday 31 May 2019. It was promised to be back on Monday 03 June 2019 but only came back on Thursday, 6 June 2019.
						413,899.94		

**Note 30 IRREGULAR EXPENDITURE**

	2019	2018
Opening Balance	23,416,009	3,133,955
Regular Expenditure - current year	10,802,391	-
Discovered during the audit	-	20,282,054
Closing Balance	34,218,400	23,416,009

The current year's irregular expenditure is a carry over of the expenditure that was classified as irregular expenditure in 2017/18. The expenditure was reported to Council who referred it to the Municipal Public Accounts Committee (MPAC) for investigation. The investigation is currently in progress.

**Note 31      UNAUTHORISED EXPENDITURE**

Salaries and Allowances	-	1,001,325.00
Depreciation	-	122,103.11
Interest Paid	-	(781,305.01)
Other Expenditure	-	(49,533.71)
	0.00	292,589.39

**Note 32      FRUITLESS AND WASTEFUL EXPENDITURE**

There was no fruitless and wasteful expenditure



**UMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2019**  
**APPENDIX A (Not Audited)**

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 30-Jun-18	Received during the year	Redeemed or written off during the year	Balance at 30-Jun-19
ANNUITY LOAN				R	R	R	R
FIRST NATIONAL BANK	2	Prime less 1.00 %	3/31/2018	1,631,338	-	738,855	892,483
DEVELOPMENT BANK	1	9.4 %	4/30/2020	-	-	0	-
<b>TOTAL EXTERNAL LOANS</b>				<b>1,631,338</b>	<b>-</b>	<b>738,855</b>	<b>892,483</b>

**UMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2019**  
**APPENDIX B (Not Audited)**

	Cost/ Revaluation			Accumulated Depreciation			Carrying Value	Budget Additions 2018
	Opening Balance	Additions	Under Construction	Disposal	Closing Balance	Opening Balance		
<b>Land and Buildings</b>								
Land	11,857,884				11,857,884	425,953	11,232,041	0
Buildings	122,771,027	6,235,000	6,792,364		135,798,392	21,721,722	110,188,654	16,200,000
	<b>134,629,022</b>	<b>6,235,000</b>	<b>6,792,364</b>	<b>0</b>	<b>147,656,386</b>	<b>22,147,575</b>	<b>121,420,698</b>	<b>16,200,000</b>
<b>Infrastructure</b>								
Electrification reticulation	4,776,947				4,776,947	0	4,776,947	0
Construction works	153,055,110	9,184,571	5,552,142		168,187,523	52,172,251	109,055,342	13,270,000
	<b>157,832,057</b>	<b>9,184,571</b>	<b>5,552,142</b>	<b>0</b>	<b>172,668,770</b>	<b>52,172,251</b>	<b>113,842,289</b>	<b>13,270,000</b>
<b>Other Assets</b>								
Office and computer equipment	5,997,047	1,037,246			5,994,293	3,879,299	2,201,178	1,250,000
Furniture and fittings	3,819,417	270,520			4,089,937	2,593,829	1,286,890	750,000
Tools	71,899				71,899	68,257	3,632	0
Motor vehicles and major equipment	9,183,179			12,028,993	7,154,196	7,220,392	1,183,484	1,792,000
Machinery	2,682,233	170,600			2,852,233	929,876	1,773,048	750,000
Air conditioners	176,364				176,364	86,069	90,314	0
Other	135,018				135,018	137,718	300	0
	<b>21,968,167</b>	<b>1,477,766</b>	<b>0</b>	<b>(2,028,993)</b>	<b>21,406,939</b>	<b>14,916,440</b>	<b>6,528,846</b>	<b>4,642,000</b>
<b>Total</b>	<b>314,219,245</b>	<b>15,897,337</b>	<b>12,744,506</b>	<b>(2,028,993)</b>	<b>341,832,095</b>	<b>89,235,365</b>	<b>241,791,830</b>	<b>34,012,000</b>
<b>Intangible Assets</b>								
Computer Software	3,658,418				3,658,418	1,357,312	1,403,791	0
<b>Total</b>	<b>317,877,663</b>	<b>18,997,337</b>	<b>12,744,506</b>	<b>(2,028,993)</b>	<b>345,480,513</b>	<b>90,822,679</b>	<b>243,196,622</b>	<b>34,012,000</b>

APPENDIX C (Not Audited)

UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2019

	Cost/ Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposal	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
Executive and Council	31,012,093	1,477,788		(2,028,993)	30,460,865	8,839,430	1,881,646	(2,028,993)	8,802,083
Finance and Admin	22,212,308				22,212,308	7,086,153			7,086,153
Health	72,820				72,820	72,819			72,819
Community & Social Services	100,241,882	6,235,000	6,782,364		113,259,246	20,999,035	3,888,016		24,787,051
Public Safety	852,806				852,806	527,040			527,040
Waste Management	2,553,330				2,553,330	82,806			82,806
Road Transport	155,907,439	8,184,571	5,952,142		171,044,152	50,613,414	6,954,230		57,567,644
Other	1,385,569				1,385,569	1,134,668			1,134,668
	<b>314,219,247</b>	<b>16,897,337</b>	<b>12,744,506</b>	<b>(2,028,993)</b>	<b>341,832,096</b>	<b>89,235,365</b>	<b>12,833,892</b>	<b>(2,028,993)</b>	<b>100,040,264</b>
Intangible Assets	3,558,418				3,558,418	1,569,382	867,315		2,236,696
	<b>317,877,664</b>	<b>16,897,337</b>	<b>12,744,506</b>	<b>(2,028,993)</b>	<b>345,490,514</b>	<b>90,804,747</b>	<b>13,501,207</b>	<b>(2,028,993)</b>	<b>102,276,960</b>
									<b>243,213,554</b>

**APPENDIX D (Not Audited)**

**UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019				2018			
	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R	
Executive and Council	99,628,558	37,531,668	62,096,890		92,991,562	35,348,768	57,642,893	
Finance and Admin	56,910,171	55,602,268	1,307,903		47,323,855	52,816,874	(5,493,019)	
Community & Social Services	2,738,378	29,519,358	-26,780,980		2,513,270	26,409,092	(23,895,823)	
Public Safety	295,271	6,523,555	-6,228,284		274,387	5,394,532	(5,120,144)	
Waste Management	2,402,453	1,890,849	511,604		2,151,310	1,319,121	832,189	
Road Transport	27,342,317	13,966,628	13,375,689		42,204,248	21,615,198	20,589,050	
<b>Sub - total</b>	<b>169,317,147</b>	<b>146,034,326</b>	<b>44,282,822</b>		<b>187,458,733</b>	<b>142,903,586</b>	<b>44,555,147</b>	

**APPENDIX E (1) (Not Audited)**  
**UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET ( REVENUE AND EXPENDITURE ) FOR THE YEAR ENDED 30 JUNE 2019**

REVENUE	2019 Actual R	2019 Budget R	2019 Variance R	2019 Variance %	Explanation of significant variances
Property rates	45 504,992	42 250,000	3 254,992	8%	The increase in net rates is due to the over budget for rebates on Government Properties
Service charges	2 402 453	2 250,000	152 453	7%	There were some additional applications for refuse removal during the year
Rental of facilities and equipment	195 864	700,000	85 864	14%	There was an increase in tenants taking up space at the Thusong Centre
Interest earned - external investments	2 335 094	1 500,000	735 094	49%	Grant funds were invested for longer than anticipated
Interest earned - outstanding debtors	8 979 889	8 000,000	979 889	12%	The increase in interest is due to the culture of non-payment of municipal accounts by the community leading to the debt owed to the municipality increasing
Income for agency services	2 911 297	2 625,000	286 297	11%	There has been an increase in the intake of learner licences and driver licence renewals
Government grants and subsidies	97 972 000	97 972,000	-	0%	
Traffic Fines	43 753	40,000	3 753	9%	Traffic fine reduced by the court
Other Income	1 273 808	10 380,000	(9 086 194)	-88%	The main reason for the increase is the recognition of the roll over of funds from the previous year
MIG Funds	27 088 000	27 088,000	-	0%	
<b>Total Revenue</b>	<b>189 317 147</b>	<b>192 896 000</b>	<b>(3 577 853)</b>	<b>(2)</b>	
<b>EXPENDITURE</b>	<b>2019 Actual R</b>	<b>2019 Budget R</b>	<b>2019 Variance R</b>	<b>2019 Variance %</b>	
Employee related costs	67 303 299	67 617 800	(314 501)	(0)	Certain critical posts that were not budgeted for were filled during this year
Remuneration of Councillors	9 741 484	9 620 000	121 484	1	
Depreciation	13 501 207	14 000 000	(498 793)	(4)	
Interest paid	167 322	200 000	(32 678)	(16)	
Contracted services	28 597 842	35 045 000	(6 447 158)	(18)	The budget for finance charges was over budgeted
General expenses	23 374 805	31 900 200	(8 525 394)	(27)	Certain expenditure that was budgeted for were not incurred.
Contribution to Reserve	2 345 387	500 000	1 845 387	370	Certain expenditure that was budgeted for were not incurred.
Capital Contribution	-	0	-		
<b>Total Expenditure</b>	<b>145 034 326</b>	<b>158 863 000</b>	<b>(13 848 674)</b>	<b>(9)</b>	
<b>Surplus (Deficit) for the year</b>	<b>44 282 821</b>	<b>34 012 000</b>	<b>10 270 821</b>		

**APPENDIX E ( 2 ) (Not Audited)**

**UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2019**

	2019 Additions R	2019 Under Construction R	2018 Total Additions R	2019 Budget R	2019 Variance R	2019 Variance %	Explanation of significant variances
Construction works	9,184,571	5,952,142	15,136,713	16,200,000	(1,063,287)	(7)	
	<b>9,184,571</b>	<b>5,952,142</b>	<b>15,136,713</b>	<b>16,200,000</b>	<b>(1,063,287)</b>		
<b>Community Assets</b>							
Buildings	6,235,000	6,792,364	13,027,364	13,270,000	(242,636)	(2)	There was a delay in the implementation of some of the projects
	<b>6,235,000</b>	<b>6,792,364</b>	<b>13,027,364</b>	<b>13,270,000</b>	<b>(242,636)</b>		
<b>Other Assets</b>							
Office and accounting machines	1,037,248	-	1,037,248	1,250,000	(212,754)	(17)	Certain computer equipment were needed to be repaired urgently
Furniture and fittings	270,520	-	270,520	750,000	(479,480)		
Machinery	170,000	-	170,000	750,000	(580,000)	(77)	
Vehicles		-	0	1,792,000	(1,792,000)	(100)	
Intangibles	0	-	0	-	-		Software for distribution of agendas was purchased which was not budgeted for
	<b>1,477,766</b>	<b>-</b>	<b>1,477,766</b>	<b>4,542,000</b>	<b>(3,064,234)</b>		
<b>Total</b>	<b>16,887,337</b>	<b>12,744,506</b>	<b>29,641,843</b>	<b>34,012,000</b>	<b>(4,370,157)</b>	<b>(13)</b>	

UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

Description	Name of organ of State	Unspent balance at 1 July 2018		Received 2017/18		Expenditure 2017/18		Transfer 2017/18		Unspent balance at 30 June 2019		Compliance with grant conditions	Conditions of Grant
		R		R		R		R		R			
MIG	National Government	-		27 388 000		27 388 000,00		-		-		YES	Expenditure to be in terms of projects registered
Dept. of Arts & Culture	Dept. of Arts & Culture	-		2 711 000		2 711 000,00		-		-		YES	
Department of Energy	Department of Energy	-		10 000 000		10 000 000,00		-		-		YES	
Department of Public Works, EPWP	Dept of Public Works, EPWP	-		1 477 300		1 477 300,00		-		-		YES	
FMS	National Government	-		1 872 300		1 872 300,00		-		-		YES	Expenditure in terms of Implementation Plan submitted
		-		43 250 000		43 250 000,00		-		-			